

DEPARTMENT OF WATER RESOURCES

California Energy Resources Scheduling
PO Box 219001
3310 El Camino Avenue, Suite 120
Sacramento, CA 95821
(916) 574-1291



June 13, 2003

Mr. J. J. Fair
CalPeak Power, LLC
7365 Mission Gorge Road, Suite C
San Diego, California 92120

Dear Mr. Fair:

The California Department of Water Resources ("CDWR") references the Amended and Restated Power Purchase Agreements executed as of May 2, 2002 by and between CALPEAK POWER - MIDWAY LLC ("CalPeak") and CDWR (the "Amended PPA"). All capitalized terms used, but not otherwise defined herein, shall have the same meaning given to them in the Amended PPA.

CalPeak failed to meet the Facility Completion Date of May 31, 2003 for the Lodi facility set forth in Appendix E to the Amended PPA. Accordingly, pursuant to its termination rights under Section 4.03(a) of the Amended PPA, CDWR hereby exercises its right to terminate the Amended Agreement.

If you have any questions or need additional information, you may contact Ziyad Mansour at (916) 574-2217.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter S. Garriss".

Peter S. Garriss
Deputy Director

cc: Mr. Ron Watkins
CalPeak Power, LLC
7365 Mission Gorge Road, Suite C
San Diego, California 92120